



## India, Iran and Chabahar Port

**For Prelims:** [Chabahar port](#), [International North-South Transport Corridor](#), [International trade in Indian rupees](#), [Vostro account](#).

**For Mains:** Significance of Chabahar Port for India, Areas of Contention Between India and Iran.

**Source:** HT

### Why in News?

**India and Iran** are making significant progress in **finalizing a 10-year pact for operations at the Chabahar port**, with key issues narrowing down.

- Additionally, the two nations are exploring ways to address the **depletion of Iran's rupee reserves**, which has impacted trade, especially in commodities like **rice, tea, and pharmaceuticals**.

### What is the Significance of Chabahar Port for India?



- **About:**
  - **Chabahar is Iran's only oceanic port.** It is situated in Sistan and Baluchistan Province, on the **Makran coast**.
  - There are two main ports in Chabahar - the **Shahid Kalantari port and the Shahid Beheshti port**.
    - The Shahid Kalantari port was developed in the 1980s.
    - Iran had offered India the project of developing the Shahid Beheshti port which was well received by India.
- **Progress and Updates Regarding the Chabahar Port Deal:**
  - The two countries signed an **initial agreement in 2016** for India to develop and operate the port's Shahid Beheshti terminal for 10 years.
  - However, the **finalization of the long-term agreement has been delayed by several factors** including **differences on some clauses in the pact**.
    - One of the main sticking points was the **clause related to jurisdiction for arbitration in case of disputes**.
    - India wanted the arbitration to be held in a neutral country, while Iran preferred its own courts or a friendly country.
  - According to some recent reports, India and Iran have narrowed the gap on the arbitration issue and are looking at the **option of taking up these matters at arbitration courts in a location such as Dubai**.
    - They have also made progress on other issues, such as tariffs, customs clearance, and security arrangements.
- **Significance of Chabahar Port:**
  - **Alternative Trade Route:** Historically, India's access to Afghanistan and **Central Asia** has been largely **dependent on transit routes through Pakistan**.
    - Chabahar Port offers an alternative route that bypasses Pakistan, reducing India's reliance on its neighbor for trade with Afghanistan and beyond.
      - This is particularly important given the often-tense relations between India and Pakistan.
    - Also, Chabahar port will boost **India's access to Iran**, the key gateway to the **International North-South Transport Corridor** that has sea, rail and road routes between **India, Iran, Russia, Central Asia and Europe**.
  - **Economic Benefits:** Chabahar Port offers India a gateway to the resource-rich and economically vibrant region of Central Asia.
    - It can significantly enhance **India's trade and investment opportunities in these markets**, potentially leading to economic growth and job creation in India.
  - **Humanitarian Assistance:** Chabahar Port can serve as a crucial entry point for **humanitarian assistance and reconstruction efforts in Afghanistan**.
    - India can use the port to provide aid, infrastructure development support, and other assistance to Afghanistan, contributing to regional stability.
  - **Strategic Influence:** By developing and operating Chabahar Port, **India can enhance its strategic influence in the Indian Ocean region**, thus strengthening India's geopolitical position.

## What is the Status of Economic Ties Between India and Iran?

- **Status:**
  - Over the years, India's trade with Iran has seen significant fluctuations. In 2019-20, India's imports from Iran, primarily crude oil, **fell by about 90% to USD 1.4 billion compared to USD 13.53 billion in 2018-19**.
  - Also, Iran has seen a depletion of its **rupee reserves in the vostro account**, affecting its ability to import key Indian commodities like basmati rice and tea.
- **Revival:**
  - To revive **trade between India and Iran**, which has been impacted by **US and Western sanctions**, both nations are considering the option of **rupee-rial trade**.
    - This move aligns with the **Reserve Bank of India's** decision to allow **invoicing and payments for international trade in Indian rupees in July 2022**.
  - Rupee-Rial trade refers to trade between India and Iran using their **respective currencies, the Indian Rupee (INR) and the Iranian Rial (IRR)**, instead of using

widely accepted international currencies like the US Dollar (USD).

- This type of trade is often used when international sanctions or restrictions make it difficult for **countries to use global currencies for trade with a particular nation**, as was the case with Iran due to US sanctions.

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### **Prelims**

**Q. What is the importance of developing Chabahar Port by India? (2017)**

- (a) India's trade with African countries will enormously increase.
- (b) India's relations with oil-producing Arab countries will be strengthened.
- (c) India will not depend on Pakistan for access to Afghanistan and Central Asia.
- (d) Pakistan will facilitate and protect the installation of a gas pipeline between Iraq and India.

**Ans: (c)**

### **Mains**

**Q. In what ways would the ongoing U.S-Iran Nuclear Pact Controversy affect the national interest of India? How should India respond to this situation? (2018)**

**Q. The question of India's Energy Security constitutes the most important part of India's economic progress. Analyse India's energy policy cooperation with West Asian countries. (2017)**

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